

U.S. DEPARTMENT OF THE INTERIOR

OFFICE OF INSPECTOR GENERAL

AUDIT REPORT

REVIEW OF
INDIVIDUAL INDIAN MONEY ACCOUNTS
ADMINISTERED BY BUREAU OF INDIAN AFFAIRS'
OSAGE AGENCY



This report may not be disclosed to anyone other than the auditee
except by the Assistant Inspector General for Administration,
Office of Inspector General, U.S. Department of the Interior,
Washington, D.C. 20240.

DOI SOL

SEPTEMBER 1985

DATE

INTRODUCTION

The Office of Inspector General has audited the Bureau of Indian Affairs' (BIA) Individual Indian Money (IIM) accounts administered by the Osage Agency for the three fiscal years (FYs) ended September 30, 1983. This review was made in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" issued by the Comptroller General and, accordingly, included those audit tests and procedures considered necessary in the circumstances.

The objectives of this review were to determine: (1) if IIM accounts are established and maintained in accordance with applicable federal regulations and BIA guidelines, (2) if the IIM operating practices of the Agency are adequate to provide for proper record keeping of Indian moneys and to prevent misuse of those moneys, and (3) the propriety of the types of accounts maintained.

The reported balances of the IIM accounts presented in this report were not subjected to auditing procedures and techniques normally associated with the audit of financial statements in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion or any other form of assurance on the financial position of the IIM account balances.

The BIA operates the IIM banking system to partially fulfill its trust responsibility for Indians. At its Osage Agency, the IIM system is used by BIA to distribute funds received for Indians, to be a fiscal custodian for Indians needing help in managing their money, to hold funds deposited for special purposes, and to provide a banking service for certain Tribal organizations.

As of September 30, 1983, the Osage Agency had approximately 2,000 IIM accounts with over \$24 million of deposits. These accounts and their respective balances were as follows:

<u>Number of Accounts</u>	<u>Type</u>	<u>Balance</u>
796	Adults	\$13,706,800
809	Estates	5,712,330
17	Guardianships	2,026,360
29	Tribal & Miscellaneous Accounts	1,266,677
71	Minors	804,132
5	Trust	429,908
165	Special Deposits	<u>159,692</u>
<u>1,892</u>	Total	<u>\$24,105,899</u>

During FY 1983, the Osage Agency disbursed over \$50 million of Indian moneys. The primary sources of these funds were royalty and bonus income from Osage oil and gas leases.

The Osage Tribe, because of the early discovery and production of oil (early 1900s) from its lands, has a unique and distinct body of laws and regulations that have been established to protect the Osage people from exploitation. Under the Act of June 28, 1906, commonly called the Osage Allotment Act, the oil, gas, coal, and other mineral rights contained within Osage allotted lands were held in trust by the U.S. Government for a period of 25 years (until January 1, 1932). This Act provided that mineral royalties belonging to the Osage Tribe should be segregated and credited to the individual members of the Tribe or their heirs on a pro rata basis according to the official membership roll provided by the Act. At that time, an official Osage roll was established, containing the names of 2,229 members of the Tribe, and was approved by the Secretary. Each of these 2,229 Osage Indians was given one headright share (1/2,229), which represented the individual's pro rata entitlement to future income. During the audit period, headright share values (quarterly) varied from a low of \$5,230 to a high of \$10,270.

Distributions of mineral royalties are made quarterly based on the headright share, or percentage thereon, owned by each individual Osage

4. VOLUNTARY DEPOSITS

The Osage Agency is maintaining numerous IIM accounts, both individual and Tribal, which we consider to be voluntary deposits. Not only are these voluntary deposits prohibited, but also Agency resources expended on the maintenance of these accounts could be more effectively used for maintenance of its required IIM accounts.

Pursuant to 25 CFR 117.4, IIM account holders who do not have a certificate of competency are authorized to maintain voluntary deposits, but only of their allowance funds—about \$1,000 per quarter. Furthermore, a Field Solicitor's opinion (August 29, 1979) and a subsequent memorandum from the Area Director (September 27, 1979), stipulated that all requests for voluntary deposits would be considered only on a case-by-case basis and then only to avoid a substantial hardship on the individual involved.

However, during our review of IIM accounts, we identified at least five individuals who were allowed to make voluntary deposits contrary to this criteria. Specifically, these individuals were allowed to make at least eight voluntary deposits of funds (other than allowance) from April 1981 to April 1983, totaling more than \$100,000. Agency officials could not establish that a hardship existed or otherwise provide any documentation to justify these deposits. We believe that several of these accounts were established because the account holders were influential members of the Osage Tribe. For example, one is a past Tribal Chief, and another, a current Council Member.

We also noted numerous IIM accounts classified as either Tribal or miscellaneous which, in our opinion, are considered to be voluntary deposits. No authority for Tribal voluntary deposits specifically exists in 25 CFR 115.6, the general policy of BIA, in regard to voluntary deposits, is expressed in 25 CFR 115.6, which states in part that:

As a general rule, voluntary deposits shall not be accepted. Indians who require banking service shall be encouraged to utilize commercial facilities. If in any case, it is determined that an exception to this prohibition should be made to avoid a substantial hardship, the facts in the case shall be considered...

While this regulation was not intended to apply to the Osage, we believe that, in the absence of any specific citation in 25 CFR 117 referring to this kind of voluntary deposits, 25 CFR 115.6 does apply and is relevant. The DOI Field Solicitor at the Osage Agency supports this point of view.

At September 30, 1983, the Agency was maintaining 36 accounts totaling \$1.3 million which were classified as either Tribal (16) or miscellaneous (20). Based on a review of these accounts, we consider 17 of these to be substitutes for normal bank accounts, and in our opinion, could be easily handled by banks in the immediate geographical vicinity. We did not take exception to accounts that were established by BIA in response to specific regulations, laws, or agreements and therefore not under the Agency's control.

Examples of voluntary deposits include:

<u>Account Name</u>	<u>Balance</u>
Industrial Park	\$43,006
Osage Tribal Golf Course & Park	\$31,601

The subject of using IIM accounts for Tribal operations was discussed with cognizant Agency officials. We were given no rationale or justification for this accommodation other than in the past the Tribe, at various times, had requested the establishment of these accounts, and whatever the Tribe requests, it usually gets. As stated previously, we consider these accounts to be substitutes for commercial bank accounts, and the banks should be handling them. In addition, Agency resources are being expended on the maintenance of these accounts, which resources could be more expeditiously used for the maintenance of the required Osage IIM accounts.

Recommendations

We recommend that the Osage Agency:

1. Comply with regulations prohibiting voluntary deposits by individuals.
2. Eliminate all unnecessary Tribal accounts from its IIM Account Operations.